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Safeguarding Food Stamp Dollars

While the Food Stamp Program is one of the most visible social service programs, with millions of food stamp transactions taking place daily in the nation's grocery stores, often unnoticed are efforts to control fraud and abuse.

This issue focuses on such efforts. Articles look at ways federal, state and local administrators are working to improve their programs and develop better monitoring techniques, often with the help of sophisticated computer technology. Page 2

California Sets Up a New "Vendor Specific" System for WIC



Also in this issue is an article on one state's efforts to work more closely with grocers who accept food coupons from participants in the Special Supplemental Food Program (WIC). Using a new computerized system to monitor WIC sales, the state has been able to save money and extend WIC benefits to additional women, infants, and children in need of supplemental food aid. **Page 17**

Safeguarding Food Stamp Dollars

Throughout its turbulent history, the Food Stamp Program has been troubled by charges of waste, fraud and abuse. While the exchange of food stamps for food is a common sight, subject to the scrutiny of all, largely unseen are efforts by federal, state, and local governments to improve management, reduce errors, and police for fraud and abuse.

In the years since the Food Stamp Program became a nationwide program, federal and state management and monitoring techniques have been developed and refined to respond to an ever-increasing Congressional and public demand for the elimination of fraudulent and abusive practices.

These monitoring techniques are intended to separate those who would abuse or defraud the program from the millions of food stamp participants and the great majority of retailers and other handlers of food stamps who abide by the rules.

The job of monitoring the program for error, abuse, and fraud is complicated by a number of factors: The program is large — 22 million people in 8 million households receive benefits. The determination of eligibility for the program and the amount of stamps for which households are eligible vary according to a household's size, income, expenses, and available resources.

“The Food Stamp Program provides vital assistance to the poor of this Nation, and we are determined to direct that help to the people for whom it is intended and keep it out of the hands of criminal elements. None of us can afford to tolerate violations of the food stamp law, and we are not going to.”

Secretary of Agriculture
John R. Block

Also, the program continues to evolve — new laws and regulations are frequent. And because of the nature of the food stamp caseload, ranging from the working poor to welfare recipients, to those who are temporarily out of a job, turnover is significant.

Recent legislation makes significant changes to better target benefits, improve management, and reduce program costs. The changes make it easier to identify those who incorrectly obtain or misuse food stamps, and they give states added financial incentives to pursue and prosecute fraud more aggressively.

In the articles that follow, we take a detailed look at these legislative changes and at other federal, state and local initiatives to combat fraud and abuse and reduce waste in the Food Stamp Program.

Highlights of New Legislation

Among the major federal initiatives are legislative and regulatory changes aimed at tightening up the program and making sure benefits go only to people who are eligible for them.

Recent legislation adds new reporting and accounting requirements to give a more accurate picture of recipients' financial circumstances. For those who commit fraud or deliberately misrepresent or withhold information that may affect their eligibility or benefit levels, there are increased penalties. There are also added incentives to encourage states to investigate and prosecute fraud.

Investigations have shown that the authorization-to-purchase card (ATP) has provided some opportunity for abuse of the program. The ATP card is a check-like card that lists the amount of food stamps a household gets each month. Participants exchange their ATP cards for food stamps at authorized issuance centers, which may be banks, currency exchanges, or food stamp offices.

Two major changes are aimed at eliminating opportunities for ATP-related abuse of the program. By October 1982, state welfare agencies will be required to use photo identification systems in all food stamp project areas with 100,000 or more recipients. Food stamp recipients in these areas will show their I.D. cards when exchanging their ATP cards for stamps.

The purpose of the I.D. system is to prevent ineligible persons from obtaining food stamps illegally and to discourage eligible persons from at-

tempting to get a double allotment of food stamps by reporting their ATP cards as lost or stolen and requesting a duplicate.

Seventeen metropolitan areas are scheduled to implement the photo I.D. system, or an approved alternative, before November 1, 1982. Approximately 4.93 million food stamp recipients, or 1.8 million households, will be affected.

Another change that is already in effect throughout the country tightens procedures for replacing food stamps and ATP cards that recipients report lost, stolen, or destroyed. The change is aimed at protecting food stamp recipients against legitimate verifiable losses while limiting the government's liability for unverifiable losses.

As a result of rules issued in November, the federal government will no longer automatically replace food stamps that recipients claim have been lost or stolen. In the past, food stamp recipients could receive a replacement for their food stamps if they reported them lost or stolen.

All of these changes are mandated by legislation. Some are contained in the Omnibus Reconciliation Act, Public Law 97-35, enacted in August 1981. Others are provisions of the 1980 and 1981 amendments to the 1977 Food Stamp Act. The most recent legislative changes are contained in the Agriculture and Food Act of 1981, Public Law 97-98, enacted in December.

USDA's Food and Nutrition Service (FNS) has responsibility for writing and issuing regulations to implement these changes.

Here are more details:

New reporting and accounting requirements. States are required to be using a periodic reporting and retrospective accounting system by October 1, 1983. The previous law made retrospective accounting an option for states.

Under periodic reporting, most food stamp households will have to make monthly reports of their financial circumstances. The only food stamp participants who will be exempt from this requirement are migrant households and households composed only of elderly or disabled people who have no earned income.

Under retrospective accounting, once a household is certified for food stamps, benefits will be calculated on the basis of the family's financial circumstances during a previous month. Benefits will no longer be calculated on the basis of the family's financial circumstances during the month they apply. Migrants are the only exception to this requirement.

Changes in verification rules. To help make sure information on food stamp applications is accurate, new rules give states more authority and flexibility in verifying information on certain application items. Previously, states had to have found a problem on a food stamp application and documented it before they could verify the information further. These new rules went into effect in the spring of 1981.

Social security numbers. Social security numbers will be required for all household members, including children without countable income. Previously, only persons with countable income, including children, had to have social security numbers. This change will help keep better track of total household income and the number of people in a household.

Wage matching. States will be required to match computer wage data of recipients' reported income against data available from state social security or unemployment offices. This computer wage matching is one way of decreasing certification errors by catching under-reported and unreported income and avoiding overpayments.

Warning statement on food stamp applications. Food stamp applications will be changed to prominently display in boldface lettering a warning statement. It will state that any information the applicant provides will be subject to verification by federal, state and local officials. It will also say that if the information is incorrect, the applicant may not

receive food stamps and may be prosecuted for knowingly providing incorrect information.

Penalties for fraud and misrepresentation. Legislation makes several changes in the fraud provisions of the Food Stamp Act.

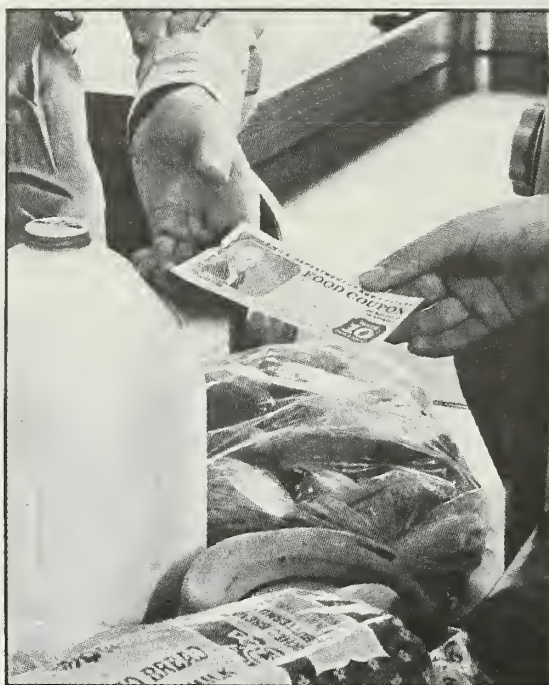
First, in addition to being disqualified for fraud, one could also be disqualified for intentionally making false or misleading statements, and for misrepresenting, hiding or withholding facts. Also, violating any state statute relating to the use of food stamps will be cause for disqualification.

In addition, there are new standardized disqualification periods. Individuals found to have committed intentional misrepresentation or fraud—either by an administrative hearing or by a court—will be disqualified for 6 months for the first offense, 12 months for the second, and permanently for the third. Previously, persons found to have committed fraud by an administrative hearing were disqualified for only 3 months. If they were found guilty of fraud by a court, they were disqualified for 6 to 24 months.

A household with a disqualified member will not be allowed any increase in food stamp benefits if the increase is a result of the disqualification.

Mandatory penalties for felonies and misdemeanors. Legislation also mandates penalties for felony and misdemeanor offenses, including mandatory jail sentences for second and subsequent felony offenders. Courts may permit offenders to work instead of going to jail unless the offense involves the redemption of stamps.

Persons will be guilty of felony offenses if they knowingly use, transfer, acquire, alter or possess in any manner not authorized by food



stamp law or regulations, food stamps or ATP (authorization-to-purchase) cards worth \$100 or more. They will also be guilty of felony offenses if they knowingly redeem stamps that have been obtained in any of these ways. If the stamps or ATP's are worth less than \$100, they will be guilty of a misdemeanor.

For the first conviction of a felony a person will be fined up to \$10,000. Persons convicted of second and subsequent felony offenses will be jailed at least 6 months and not more than 5 years and may also be fined up to \$10,000. If the offense involves the redemption of food stamps, the minimum sentence will be 1 year.

Upon the first and subsequent convictions of a misdemeanor, a person will be fined up to \$1,000 or jailed up to a year or both. This penalty is the same whether or not the offense includes the redemption of unauthorized stamps.

In addition to the above penalties, the court may also suspend any person convicted of a felony or misdemeanor up to an additional 18 months consecutive to that period of suspension mandated under the new standardized disqualification periods.

New incentives for states to investigate and prosecute fraud. To encourage states to investigate and prosecute fraud, USDA now funds

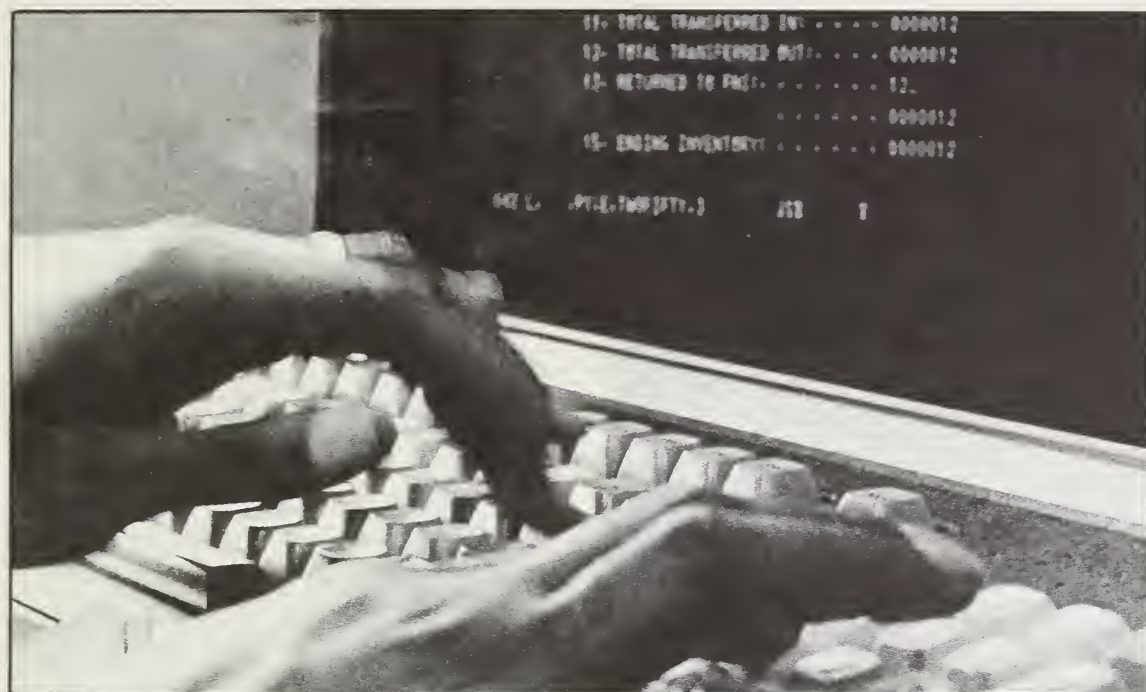
75 percent of state costs of conducting fraud investigations, prosecutions, and hearings. It previously funded 50 percent. As a further incentive, states can now retain 50 percent of all the fraud claims they collect.

Photo identification cards. The Food and Nutrition Service issued final regulations in October 1981 requiring food stamp recipients in large metropolitan areas to show photographic identification cards when receiving their food stamps. The new I.D. system is required by Public Law 96-249, the 1980 amendments to the 1977 Food Stamp Act. The amendments require state agencies to use photo identification in any areas where the Secretary of Agriculture and the Department's Office of the Inspector General believe their use is necessary to reduce the level of issuance-related fraud and waste.

In areas using the new I.D. system, issuance agents (who are under contract with or employed by the state) will be required to check each participant's photo I.D. serial number on the participant's ATP card. State officials will later check the number recorded on the ATP card to make certain the correct household used the ATP card to obtain stamps. State agencies will be billed for any losses that result from a duplicate issuance because an issuance agent failed to record the recipient's photo I.D. number on the ATP card.

State welfare agencies will be required to use photo I.D. systems by November 1, 1982 in food stamp project areas with 100,000 or more recipients. Areas where all recipients receive their stamps by mail or where the Food and Nutrition Service approves an exception may be exempt.

USDA will consider granting exceptions to one or more of the minimum photo I.D. requirements for any state agency that can demonstrate that its alternate I.D. card or system will provide adequate protection against fraud. Smaller areas may also be required to install photo I.D. systems if FNS and USDA's Inspector General's Office find it would be useful to protect program integrity.



In areas where the I.D. card is mandated, all food stamp households will be required to have a member or an authorized representative get and use the I.D. card as a condition of eligibility. However, exceptions will be granted for households that are certified by out-of-office interviews, households certified under the Supplemental Security Income and food stamp joint processing procedures, as well as certain other types of households.

If households fail to comply with the photo I.D. requirements, they will not be allowed to participate in the Food Stamp Program. Previous rules permitted state agencies to use photo I.D. cards only with the consent of food stamp participants. Under the old rules, states could not deny or delay benefits when household members could not or would not be photographed.

Mandated photo I.D. cards are serially numbered, signed by the person photographed, and laminated after signature. They include a color photograph and contain the household's case number or other identifying information.

Food stamp and ATP card replacement. New rules tightening procedures for replacing lost or stolen food stamps and ATP cards went into effect in November 1981.

Under the new rules, if a household reports that it never received its ATP card through the mail, a state can deny or delay replacement of the ATP if documentation exists that the household's request is fraudulent. The new rules allow states to replace ATP's and stamps in 10 days rather than 5 days, which was the allowable time before. In the case of the ATP's, this change will give states more time to see if the original ATP had been used to obtain stamps.

The new rules also limit the number of ATP's and food stamps a household can have replaced in a 6-month period:

For ATP's or stamps which were not received, a household is limited to two replacements in 6 months.

For ATP's which were received and then stolen or destroyed in a household disaster, such as a flood or fire, the limit is one replacement for each type of loss in 6 months.

For stamps which were received and subsequently destroyed in a household disaster, the limit is one replacement in 6 months.

Replacement of stamps lost or stolen after receipt is no longer allowed.

State issuance liability. States are held liable for any financial losses involved in the acceptance and storage of food stamps, and for certain unauthorized issuances and overissuances due to state agency error.

In the future, states will also be held liable for losses of ATP cards and food stamps sent through the mail, to the extent determined by the Secretary of Agriculture through regulations.

It is expected that this change will cause states to cut down on direct mail issuance, particularly in urban areas where losses have been high. Mail issuance will probably continue in areas where losses have been less and where it is most needed.

In addition to changes that have already been made, USDA has a number of demonstration projects underway to evaluate other ways to tighten and improve the program. These include the following:

Analysis of computer-aided wage matching techniques. Several states already use earnings reported by employers to verify income statements of households certified for food stamps. In one project, FNS is evaluating the overall costs and benefits of various wage match systems. The project will help FNS in providing technical assistance to states.

Unauthorized aliens and food stamps. Another project is examining the extent to which unauthorized aliens apply for and are certified to participate in the Food Stamp Program. The project will also examine alternative screening and verification techniques to minimize this problem.

Work registration and job search. A project being conducted jointly with the Department of Labor tests several demonstration models to determine the most effective method of implementing the Food Stamp Act's work registration requirement. The project will help control abuse by deterring or eliminating from the program able-bodied persons who are unwilling to accept or actively seek employment.



Looking at the Redemption Process

Another area of potential abuse FNS is looking at is the food stamp redemption process.

Currently, authorized retailers and wholesalers redeem food stamps through local banks by presenting the food stamps and a computer card called a redemption certificate (RC) which reflects the value of the stamps redeemed. Local banks then take the stamps and the RC's from the retailers or wholesalers and send the stamps to Federal Reserve banks and the RC's to the Minneapolis Field Center.

Studies have shown that the value of the stamps ultimately processed by the Federal Reserve banks is appreciably more than the value of submitted RC's. While there may be legitimate reasons for such discrepancies, the possibility of fraud on the part of redeeming stores or even banks cannot be ignored.

To improve its ability to detect fraud in this area, FNS began a test last April of a redemption process which, for the first time, allows for reconciliation of food stamps and

RC's at the Federal Reserve. Under this system the Federal Reserve bank gets both RC's and food stamps. The test is being conducted in the Atlanta district of the Atlanta Federal Reserve Bank. This includes 334 banks in Georgia and Howard County, Tennessee.

Along with the revised process, FNS is also testing a revised RC. This RC, which uses more advanced computer technology, promises to lessen the chance of erroneous entries and make falsification more easily detectable.

Preliminary results of this new redemption process and RC are positive, suggesting that at a reasonable cost a system can be developed that can account for all of the food stamps deposited in a Federal Reserve Bank.

New Rules for Wholesalers

In another measure designed to reduce the potential for redemption-related abuse, in December FNS issued new rules that will significantly reduce the number of wholesalers authorized to accept and redeem food stamps.

Under these new rules, all of the 2,300 wholesalers currently authorized have had their authorization withdrawn and are being reauthorized only if they are

needed to serve as redemption outlets for the following groups: non-profit cooperative food purchasing ventures; group homes for the blind or disabled; treatment centers for alcoholics or drug addicts; shelters for battered women and children; and retail food outlets which have no access to a bank.

Those wholesalers authorized to serve treatment programs, group living arrangements and shelters for battered women and children will only be allowed to accept food stamps in exchange for food.

Wholesalers were authorized to redeem food stamps when the program first began to remove any obstacles that might prevent retailers from participating in the program. But rather than continuing to allow retailers to give the stamps to wholesalers who then turn them in to a bank, USDA decided that the best way to avoid any potential for misuse is for retailers to take the stamps directly to the banks themselves.

USDA's Inspector General recommended restricting wholesalers' participation in the program after investigating several cases where wholesalers were illegally redeeming improperly obtained food stamps.

Combating Criminal Fraud

While federal food stamp managers work to tighten and improve the program, USDA's Office of the Inspector General (OIG) is concentrating on a different front: to combat criminal fraud and protect the program from those who discount, counterfeit, and traffic in food stamps. OIG agents also investigate thefts from the mail, from issuance offices, and from buildings where food stamps are printed.

The work of the Inspector General's Office has gotten considerable public attention during the past year.

Their efforts led to the indictment last spring of an organized crime figure in New York who the U.S. Attorney said stole \$29 million worth of food stamps. Also last year, OIG investigators worked with the Secret Service to break up a ring of counterfeiters who sold undercover agents \$1 million worth of counterfeit food stamps.

Investigating food stamp violations is not new for the OIG. They have been auditing and investigating the Food Stamp Program as part of their responsibilities since the Food Stamp Act was passed.

The office consists of 400 auditors and 300 investigative agents who at least twice a year have special training to update their knowledge about the Food Stamp Program. As a result of their training and through working in the field with the program, they are able to recommend changes to program managers and give input on legislative proposals.

Ninety percent of OIG agents and auditors are in the field in seven regional offices—New York; Hyattsville, Md.; Atlanta; Chicago; Kansas City, Mo.; Temple, Tex.; and San Francisco.

"Operation Sandcrab," a 6-month investigation in southeastern Virginia that ended last September, is an example of many investigations of illegal food stamp trafficking that the OIG conducts throughout the country.

In this operation, 40 arrests were made in six cities of the tidewater area of Virginia; \$50,000 of merchandise and over \$7,000 in cash was recovered. OIG undercover agents exchanged food stamps for cash, cars, stolen guns, television sets, stereo equipment, microwave ovens, clothes, tires and drugs, including heroin and marijuana.

OIG supervisory special agent Bob Bramhall, who works out of the Hyattsville office, coordinated the operation with the cooperation of the U.S. Attorney, Eastern District of Virginia, the U.S. Marshals Service, Virginia Commonwealth Attorneys, Bureau of Alcohol, Tobacco and Firearms, and police departments throughout the Tidewater area.

"We're the food stamp man," is how Bob Bramhall describes his undercover activities. "We live with

these people. Our agents speak their language and deal with them on their terms so these people think we are not the law—we are, in fact crooks." He adds that they are careful not to entrap, that the willingness to deal is always on the other person's part first.

In "Operation Sandcrab," they dealt with neighborhood grocers, burglars, waitresses, and persons suspected of dealing with drugs and stolen property. As a result, they solved burglaries from Alabama to New Jersey and uncovered a major burglary ring operating in eastern Virginia and northeastern North Carolina.

This investigation brought the number of indictments for food stamp fraud in the first 9 months of 1981 to 600. Over 90 percent of those resulted in convictions. Since 1975, OIG investigations have resulted in more than 2,000 indictments for food stamp violations.

Helping the OIG meet the retailer investigative need of the Food Stamp Program is the Food and Nutrition Service's Compliance Branch. This unit was formed in January 1977 when OIG realized that due to its staff limitations and other priorities it would need help in this area. Since that time OIG has delegated the authority to the Compliance Branch to conduct retailer compliance investigations.

The creation of the new compliance unit has enabled OIG to concentrate its efforts on felony-level food stamp trafficking operations. An added bonus is that the retailer investigations done by FNS compliance officers can yield information leading to criminal investigations by OIG. (See the separate article on the FNS Compliance Branch on page 14.)

When looking at fraud, waste and abuse in the Food Stamp Program, it could be easy to ques-

tion the program's integrity. To keep the problems in perspective, USDA Inspector General John Graziano says:

"By and large the program works well. A great number of people are being fed an adequate diet, and we probably don't know of a better way to get that number of people fed adequately.

"Until we can change human nature, you're always going to have people who will attempt to bypass the system and try to obtain some advantages they are not entitled to.

"There are a number of people in the Congress, in the Food and Nutrition Service, and in the state and local governments who are all dedicated to trying to eliminate fraud, waste, and abuse in the Food Stamp Program; and in time we will be successful."

article by Bonnie W. Polk

photos by Larry Ranna

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*USDA Inspector General
John Graziano*

States Crack Down on Fraud and Qualify for Special Funding

All around the country, states are becoming more active in investigating and prosecuting food stamp fraud. Public attention, as well as new federal regulations, is encouraging state and local administrators to tighten "front-end" certifying controls and crack down on abuse.

The focus of state fraud control efforts is on recipient fraud. The responsibility for monitoring food stamp caseloads for those few recipients who abuse the program lies with the state. Each state, depending on the resources available to it and its own state laws, emphasizes fraud pursuit, prosecution, and penalties differently.

Most recipient fraud cases involve \$100 or less in food stamp benefits and are handled at state- or county-run administrative hearings—meetings of a state or county food stamp official, the recipient charged with program abuse, and a hearing official.

The more serious fraud cases, such as those involving large sums of money, trafficking, or conspiracy, are tried in the criminal courts. Occasionally, a fraud case is referred to the federal courts when the state lacks the resources to prosecute the case or because of the federal government's involvement in developing the case.

Preliminary data from fiscal year 1981 show state agencies conducted 5,100 fraud hearings which resulted in 3,600 people being dropped from the program. States also conducted about 19,000 fraud investigations involving \$6.2 million in potential recoveries. Approximately 4,500 of these cases were prosecuted, resulting in the recovery of \$4.4 million.

Most investigators agree that most recipient fraud occurs during certification. People misrepresent their income or the number of people in their household in order to qualify for more stamps. "These are often tough fraud cases to prove," says Ed Richards, chief of investigations for the Texas Department of Human Resources, "because you have to prove intent."

New regulations add incentives

Recent federal regulations provide financial incentives for states to investigate and prosecute fraud. States may now be approved to receive reimbursement for 75 percent of their costs for investigating and prosecuting fraud. In addition, states can keep 50 percent of money they recover from proven fraud cases.

Federal administrators are hopeful that these financial incentives will encourage states to get tough with food stamp fraud. According to Joe McLin, national coordinator of the 75 percent funding initiatives, "We've been working hard with state and local investigators and prosecutors, explaining the program to them, trying to help them through administrative requirements, and showing them how they can use the federal money."

Some states have been reluctant to apply for 75 percent funding because regulations require state investigative units to break down costs between food stamps and other welfare fraud in order to show that federal reimbursements are being spent only on food stamp abuse.

"There are ways around this problem though," says Tom McQuillan, Joe McLin's counterpart in the Food and Nutrition Service's Mid-Atlantic Regional Office. "The state investigative units need to get together with their financial manage-

ment people and work out a cost allocation plan. It's workable. We want to get investigators out of the business of financial management."

State investigative units appear to be becoming convinced. Between October 1980 and October 1981, the number of states approved for 75 percent funding doubled to 36.

Funding used in several ways

According to McLin, 75 percent funding can be used to cover direct and indirect costs involved in investigations, prosecutions, and administrative fraud hearings. However, most states are not using the money to help pay for costs of prosecutions.

"Right now," says McLin, "only Florida is claiming 75 percent reimbursement for food stamp fraud prosecutions on a statewide basis."

The Florida state agency has an agreement with 20 state attorneys who make up the Florida Prosecuting Attorneys Association. Under the agreement, the association is reimbursed at a fixed rate by the state agency for each case prosecuted. The association then reimburses the appropriate prosecutor's office.

However, McLin points out, not all states are set up to handle this type of arrangement. The state of Texas is extremely active in food stamp investigations and receives 75 percent funding for the costs of these investigations. But no mechanism exists for any cooperative agreement with the state agency for the flow of 75 percent reimbursement for prosecutions on a statewide basis. Prosecutions are handled by more than 250 county and district attorneys, and the state absorbs the cost.

One alternative to statewide agreements such as Florida's is to set up service-provider agreements between county welfare offices and local district attorneys. "This would help get the federal money moving

where it needs to go," says McLin. In Philadelphia, the district attorney has submitted a proposal to the state for an agreement between the city and the state agency.

Approaches vary among states

What makes a successful state anti-fraud unit? The logistics and organizational structure of anti-fraud units vary from state to state. In some states, investigators are assigned to specific social service programs. In other states, an investigative unit operates outside of program areas.

In Iowa over a year ago, the state formed a new investigative unit by pooling investigators who had previously been assigned to specific programs. The unit is headed by Inspector General Charles Sweeney, who is operating his unit on a "profit-making" basis.

By cracking down on abuse, focusing on recoveries, and taking advantage of 75 percent funding, Sweeney sees his office recovering

more money than they spend on investigations and prosecutions. Sweeney is interested in cracking down on abuses in the system and making sure people pay back overissuances of food stamps.

"There wasn't a systematic attempt before to go after restitution," he says. "People were convicted, put on probation, and ordered to make restitution, but they never did. But that's no longer the case.

"We've got tight relationships with probation officers and a computer system to automatically bill recipients. If people don't pay, we'll go after them with legal action or civil penalties."

According to Texas investigator Ed Richards, the key to a successful fraud investigation is the support of the administrator in the agency. "Pursuing fraud is simple if you have support," he says.

When they first began doing investigations in 1974, he explains, their group was the "stepchild" of the department of human resources. "People didn't like us. And they didn't want to cooperate with us.

"But," he says, "we've been able to turn that around because we've had the support of the head of our agency. He's given us the authority to go in and probe. He's shown people in the agency that they can't be afraid to look at the problems that exist—they can't be afraid of 'making the agency look bad.'

"The only way to make the agency look bad is to turn our backs on the real problems that exist," he adds. "In fact, we can help shape the public's attitude toward us if we can weed out fraud."

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Ed Richards
Chief of Investigations,
Texas Department of Human
Resources

Richards is serious. Texas has been one of the most active states in fraud investigations. In 1980, they conducted 4,067 investigations—2,500 involved food stamps.

Wage-match systems help

A key tool in uncovering recipient fraud is a wage-match computer system. Because of changeovers, Texas' wage-match system was shut down for 2 years, but started up again this past summer. Within 90 days, says Richards, they had 4,000 referrals on both food stamps and AFDC (Aid to Families with Dependent Children) cases.

In December 1981, the state started programming the computer to print out and refer cases with the highest incomes first as a method of targeting on major abuses.

"The feeling about the Food Stamp Program is good in Texas," says Richards. "It's good because people know there are problems—they see there are problems. And they also know we're doing something about them."

Regional coordinators of 75 percent funding are:

New England Regional Office:
Chet Fiskien (FTS) 223-0683

Mid-Atlantic Regional Office:
Tom McQuillan (FTS) 324-0206

Southeast Regional Office:
Dennie Johnson (FTS) 257-2881

Midwest Regional Office:
Kevin Pepple (FTS) 353-0578

Southwest Regional Office:
Wayne Scott (FTS) 729-0232

Mountain Plains Regional Office:
Jose Acosta (FTS) 327-5166

Western Regional Office:
Phil Armstrong (FTS) 556-7996

For more information, write:
Joe McLin
Food Stamp Program
Food and Nutrition Service, USDA
Alexandria, Virginia 22302

article by Dianne Durant

New York Reduces Loss, Saves Food Stamp Dollars

A row of battered mailboxes with dime-sized locks, chipped brass-tone paint, and names variously scrawled or neatly lettered is the mark of dingy apartment entrances in urban neighborhoods. These insecure containers are conduits for food and shelter payments for millions who are sustained by food stamps and public assistance.

Every year hundreds of thousands of dollars in checks and authorization cards are jimmied out of the boxes to flow into the underworld exchange.

Until recently, New York City had difficulty controlling and verifying such losses. Less than 3 years ago, in fact, the city was issuing as many as 27,500 replacement cards each month to recipients who claimed they had lost the original document. While many replacement requests were legitimate, hundreds of thousands of dollars were lost to cheaters who claimed losses falsely. With no way to adequately verify recipients' claims, total losses were as much as \$15 million a year.

City administrators dealt with the problem in two ways. In 1980 they started a system called Rapid Access Reconciliation to control duplicate issuance, and they began planning a sophisticated electronic payment file transfer system (EPFT) which could eliminate both food stamp cards and public assistance checks. This system is now being tested in three zip code areas on the west side of Manhattan.

Rapid access reconciliation

In 1979, New York City's Mayor Koch asked the Department of Agriculture for the authority to withhold replacement of lost or stolen food stamp authorization-to-participate (ATP) cards for 10 days. This would give the city time to find



out if the card had been used. He also asked for the authority to withhold a replacement when investigation revealed that the first ATP had been redeemed, with the client retaining the right to administrative review.

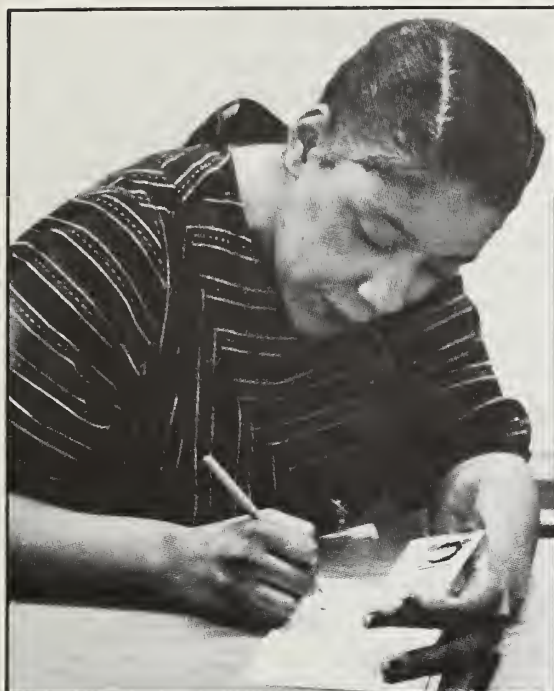
The Department agreed to the request but asked that an improved reconciliation system for ATP's be developed, one that would record the redeemed cards and reconcile those that had been issued. The system also had to microfilm the redeemed cards and provide photocopies of them quickly. In 1980, Manufacturers Hanover Trust was awarded a contract to develop the system, billing New York City's Human Resources Administration 13 cents for each card processed and \$1.25 for each photocopy.

Today, when a food stamp client does not receive an ATP card within 4 working days of the mailing date, he or she reports the loss to a local Human Resources Administration office. The loss is recorded on an affidavit, and the client is told of the fraud control unit and asked to return in 5 business days to pick up a replacement. Information about the loss is transmitted by computer tapes to the contractor, who searches the redemption tapes and photocopies "lost" ATP's that have been redeemed. These are sent back to the local center.

When the client comes back, the listing of redeemed ATP's is checked. If the card has not been redeemed, a replacement is issued. If the card has been redeemed, the client is directed to the fraud control unit where a unique number on the I.D. card and the client's signature are compared to the number and signature on the redeemed ATP card. If the numbers or signatures don't match, the redeemed card is considered a forgery and the recipient receives a replacement. If there is a match, replacement is denied. The denial can be challenged and administrative review requested.

During the first few months of operation, problems with using the regular ATP card were apparent. ATP cards are not like checks—there are no "stop payment" orders—and each card is good for an entire month. Although the city could withhold replacement cards for 10 days, fraud was still possible: the cheater could simply hang onto his first card, claim a loss, wait 10 days for a second card, and later redeem the first card.

Because studies of redeemed ATP cards showed that 90 percent were used in less than 8 days, the Human Resources Administration (HRA) was given permission by USDA to issue cards that expired in 8 days rather than a month. Combined with the Rapid Access Reconciliation system, the 8-day ATP reduced fraudulent duplicate expenditures, saving \$7,095,200 in the first 6 months of operation.

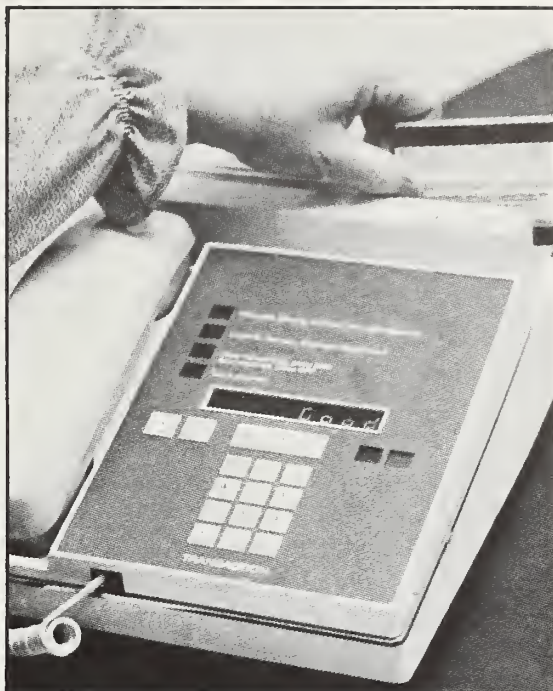


Martin Burdick, HRA's administrator of income maintenance programs, is pleased with the system. "Requests for replacements have declined by 46 percent since the first month of operation. This has relieved pressure on the staff and given them time to concentrate on eligibility determination and services," Burdick adds. Losses due to redemption by unauthorized persons are expected to be further controlled by the photo-identification card requirement implemented recently.

Contracted costs to pay for the system are about 36 percent less than planned because of the decreasing requests for replacements, which trigger photocopy costs of \$1.25 for each. In addition, the 8-day ATP cards have not presented problems for participants, even though they have less time to exchange them for stamps. The percentage of ATP's redeemed against those issued remains constant at a little over 92 percent.

Electronic payment file transfer system

During the past 3 years, as New York City has grappled with control of fraud and theft of mailed ATP cards, the cost of postage has gone up twice and the paper used for the cards and public assistance checks has also increased in price. Mean-



while, computer technology has become cheaper and more sophisticated.

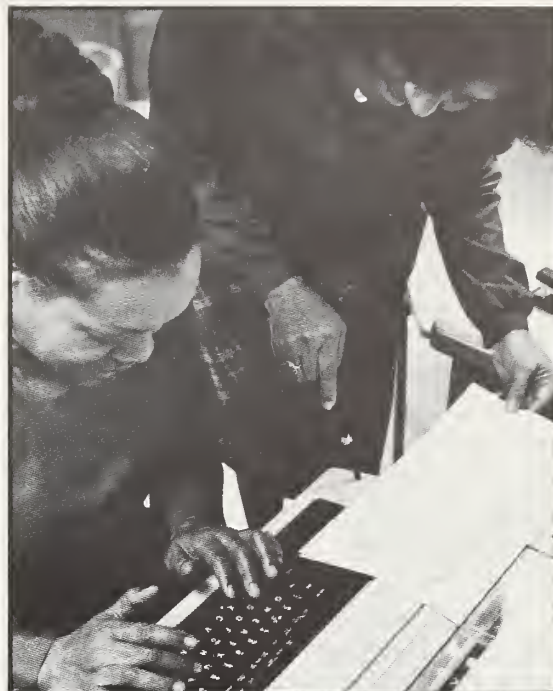
Now, New York City is trying this technology to provide both public assistance and food stamp benefits in three zip code zones. In these neighborhoods it is no longer necessary to keep a watchful eye on the mailbox on "check days" because a single card issued once can trigger benefits each month.

The system is based on a magnetically encoded photo-identification card. On the day benefits are due, clients take the card to any of four Manufacturers Hanover Bank branches or seven check-cashing outlets in the pilot project area.

After checking the picture and signature on the client's card, the bank teller inserts it into a small telephone-like terminal connected directly with the computer system. The teller also inserts a second card, a "key." Without the client's card the system cannot be accessed.

When both cards are put into the computer it prints out a voucher showing the amount of public assistance and food stamps on file for that client. The computer is notified that the transaction is complete when the cards are removed. Then the client signs the voucher and leaves with cash, food stamps, I.D. card and a copy of the voucher.

"We hope the system will eliminate fraud, theft, and inconvenience,"



Above: With the EPFT system, each food stamp participant gets a photo I.D. that is magnetically encoded with a special number.

This number, which is invisible to the naked eye, is added to each new I.D. card with a special encoding machine (*center*).

Clients relations clerks (*right*) enter into the EPFT computer the necessary information on the participants' eligibility and benefits.

says Robin Swank, manager of the project, "and we hope it saves money.

The potential for savings is significant. With the regular system, public assistance recipients usually take their checks to check-cashing outlets where three quarters of 1 percent plus 10 cents is deducted for the service. This is paid by the client. For each food stamp transaction, the city pays 95 cents. The EPFT system ends these payments as well as postage and paper costs.

Gilson F. Kingman, who helped direct Manufacturers Hanover Bank's successful bid to participate in the pilot project, is enthusiastic about the new system and anticipates eventual citywide implementation.

For the client there are many conveniences. First, mailbox theft or loss is impossible. Second, benefits are always available on a preset known date. This date is the staggered day of the month on which public assistance checks and ATP's were mailed in the past. It is known by the last digits of the identification number. Clients are able to pick up both benefits at the same time and these are available the entire month.

In addition, the process is fast and, early results show, accurate. On the average, it takes tellers about a minute and a half to complete each transaction. And, during the first month of operation, only 6 of the 13,000 participants did not receive payment immediately.

Now, no one can fraudulently redeem another's benefits. The photo-identification card and signature verification prevent it. In addition, if a client loses the card, it can be called "hot" and a stop placed on it immediately. Replacement cards and access to benefits can be issued on an expedited basis.

When a cheater tries to cash in twice in the same month or otherwise work the system, the machine prints out instructions to return to the photo I.D. office. The teller does not become involved.

Thorough planning was involved in preparing for the introduction of the new system on November 1, 1981. Clients first received a letter with information about the system, and later a letter with instructions on obtaining the card. The second letter included details about the necessary documents and the process. The staff was carefully trained in preparation for the project.

The area selected for the demonstration is one that has all assistance categories, a relatively dense client population with a bilingual character and "natural" boundaries (Central Park, Columbus Circle and the Hudson River) which limit the geographic area covered. There are enough (11) outlets in the area to assure prompt service.

The 13,000 people participating in the pilot project in midtown Manhattan are no longer anxiously watching their mailboxes to await the arrival of their checks. New technology may be improving urban, industrial society's way of bringing assistance to the needy.

For more information, write:
Robin Swank
26 Federal Plaza
New York, New York 11048

*article by Catherine Tim Jensen
photos by Larry Rana*

Computers Help Detect and Solve Problems

Run a program with less staff, a lower budget, and increasing caseloads—that's the challenge facing food stamp administrators throughout the country. To meet this challenge, more and more administrators are turning to sophisticated computer systems which do everything from figuring out how many food stamps a household should get to identifying a grocery store that is illegally accepting food stamps.

New computer systems allow states to instantaneously transmit case information to a central computer from dozens of separate local food

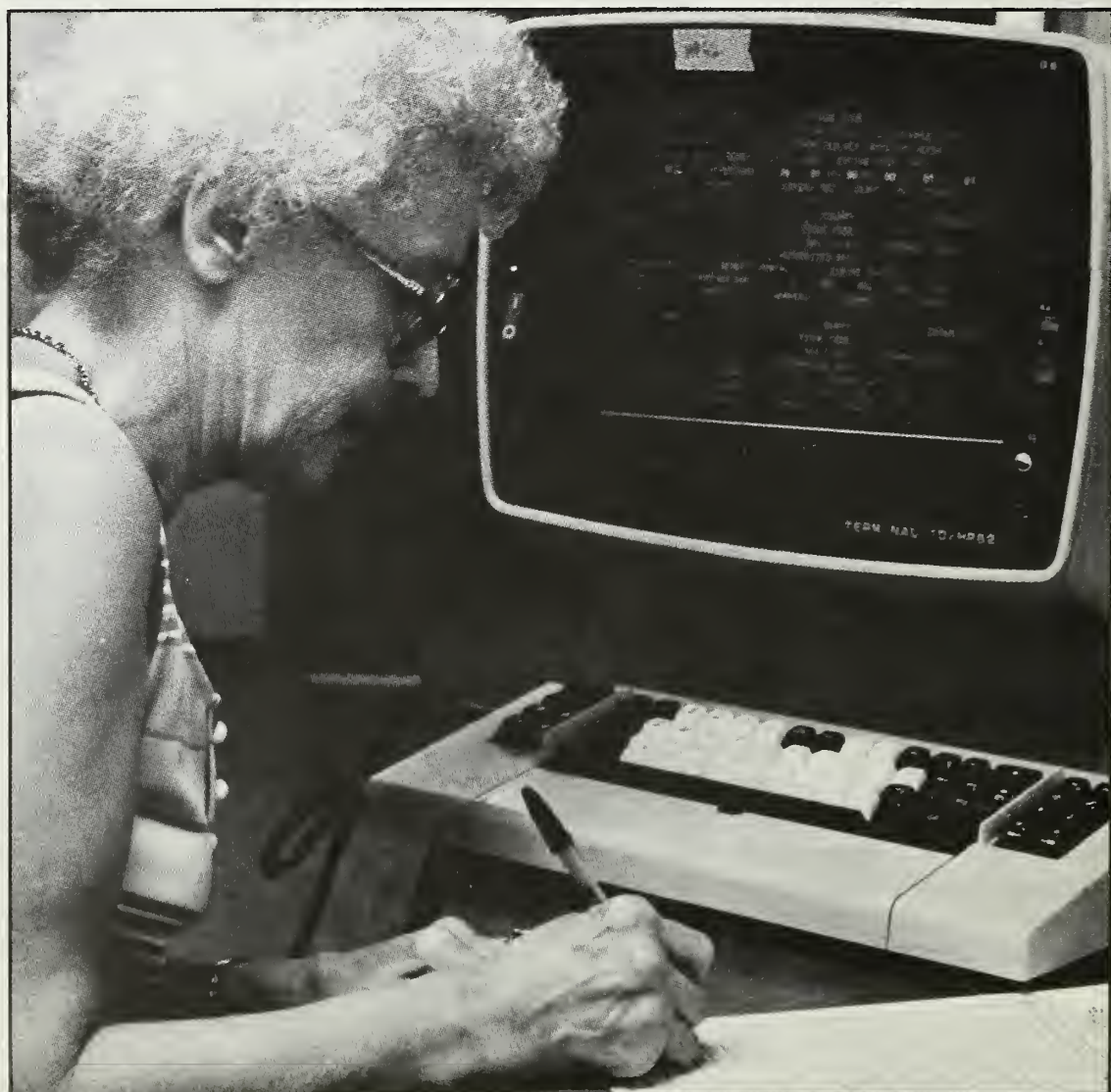
stamp offices. While states have computer systems that vary in scope and sophistication based on their caseload size, management needs, and state resources, some of the new systems being phased in in several states provide a number of advantages.

Paperwork and many of the errors that accompany the transfer of large amounts of paper between offices can be reduced because most information is electronically transmitted.

Quick computer checks of similar names and social security numbers can catch people that apply for duplicate benefits in different welfare offices.

Computer systems can compare food stamp rolls with unemployment tapes to reveal cases of unreported income. This is one of the most difficult types of welfare fraud to detect.

When changes in welfare grants and social security amounts affect a large number of food stamp recipients, special computer coding



can allow these changes to be automatically calculated. In the past, these changes had to be laboriously calculated on a case-by-case basis.

Individual eligibility calculations can also be done by computer, eliminating math errors while saving considerable staff time. Staff time can also be saved by using computers to automatically print the notices sent to food stamp clients informing them of actions taken on their cases. In Nevada alone, a state with a relatively small caseload, this involves 12,000 to 15,000 pieces of correspondence a month.

Savings can be substantial

New Mexico recently automated its Food Stamp Program using Louisiana's automated system as a model. It cost the state about \$2.75 million to transfer and modify Louisiana's system, but once in place, the system began reducing costs almost immediately.

According to Lawrence B. Ingram, Secretary of New Mexico's Human Services Department, the state will recover the full cost of converting to computer within 17 months. Compared to projected operating costs of \$9.4 million annually with a non-automated system, the state expects costs to be about \$8.3 million annually with the automated system. It took less than a year to get all the state's counties on computer. The system has been operating statewide since last spring.

Aside from savings, state food stamp managers are finding the computerized system makes it easier to detect program abuses.

Each client must now provide his or her social security number when applying for food stamps. The computer checks the applicant's prior history and cross-checks all counties for duplicate participation. Ingram claims this makes it impossible for the head of the household to be certified in more than one county.

Matching food stamp rolls against payroll lists, the state has so far identified 50 cases as

fraudulently participating in the program. Some of these cases have been referred to the Attorney General for prosecution. Over \$75,000 in overissuances have been filed against these cases.

In addition, food stamp offices have received a number of food stamps returned by people who either received them fraudulently and were apparently afraid of prosecution, or who received them in error.

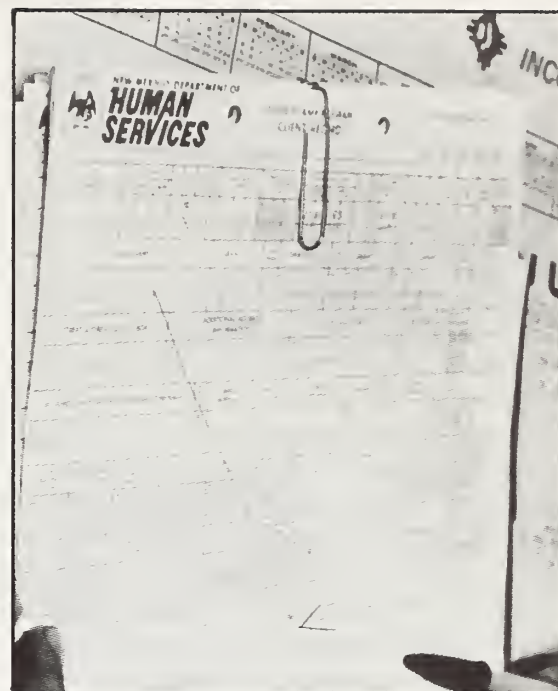
Caseworkers like the new system

Switching to the computer system took a lot of work and some adjustments for food stamp caseworkers. "At first it was hard," says North Bernalillo county supervisor Clorinda Arias. "Now the workers feel more comfortable with it. We find that we have more accurate information and better statistics."

Each caseworker received 2 days of intensive training before converting his or her cases to the computer. The key to the process is a document called the client record form, which the caseworker uses to put information into the computer. Caseworkers use this document to provide information for eligibility determination and to change case data.

The one-page client record form requires 19 typed pages to explain the codes needed to feed information into the computer. It also takes 17 typed pages to explain the transaction codes—the codes that tell the computer what you want done with the information.

Despite the number of pages needed to explain the codes, Clorinda Arias says, "It's a very simple form to follow. The transactions are mastered after working with them for a while."



Forms printed in green ink

The client record form is one of the most critical forms, according to Orlando Fernandez, forms management coordinator for the task force that put together the state's system. Fernandez used forms from Louisiana as a base and then made modifications. For example, he had the forms printed with green rather than black ink, which would tend to obscure the workers' black marks on the form.

Also, by giving attention to small details, such as the way a form is carbonized, he has found he can reduce postage costs. Instead of using a separate sheet of carbon paper, New Mexico uses "NCR" (no carbon required) paper which automatically imprints onto a second sheet. This makes the forms considerably lighter when they are mailed in bulk.

Looking ahead over the next 3 years, state managers expect the savings to continue. Within 4 years, they project the annual cost per food stamp case will be about 62 percent of what it was in 1979, before the automated system.

For more information, write:
Bill Dunbar
Department of Human Services
P.O. Box 2348
Santa Fe, New Mexico 87503

*article by Judy Snow
and Phil Canuto*

Special Team Investigates Retailer Violations

Billions of dollars in food stamps exchange hands in grocery stores across America each year, as recipients purchase food with their coupons. It is at this point of exchange where the greatest potential exists for violations of the purchasing rules of the Food Stamp Program.

For over 20 years, USDA has worked closely with the retail industry, providing training and promoting compliance with food stamp rules. Today, there are approximately 230,000 retail grocers authorized to accept food stamps.

Most grocers cooperate fully

In the vast majority of cases, grocers are eager to comply with the rules, since they are very protective of the food stamp portion of their business. Most would not want to jeopardize their participation in the program. For many small grocers, in fact, being disqualified could mean going out of business. Some of the larger retail chains actually run their own internal checks to be sure cashiers understand and obey food stamp regulations.

The penalties for noncompliance with program rules vary with the severity of the offense. Disqualification periods range from 30, 60, or 90 days to 6 months for minor violations, such as selling ineligible items worth less than \$5.00, giving more than 99 cents in cash as change during a transaction, or accepting stamps for payment on a credit account.

For more serious violations, such as selling nonfood items worth more than \$5.00 or selling cigarettes or alcoholic beverages, stores can be disqualified for up to a year. Those caught trafficking or "discounting" food stamps (buying them for cents off the dollar value and redeeming the coupons for full value) are dis-

qualified for up to 3 years, and usually will also be indicted on state or federal criminal charges.

The Food and Nutrition Service has a team of special investigators to detect retailer violations. Working out of field offices throughout the country, FNS compliance officers do onsite investigations of stores suspected of violations.

In most instances, stores are selected for investigation on the basis of computer analysis of sales and coupon redemptions. For example, a store may be spotted for redeeming more food stamps than its total sales would warrant. In some cases, leads for investigations stem from complaints from private citizens and neighboring store competitors.

Disqualifications often result

According to Bruce Clutter, branch chief of the FNS compliance unit, the compliance officers conduct more than 4,000 investigations a year. "In more than half of those cases," he says, "we are able to document that violations are occurring. And, of the 4,000 stores investigated each year, approximately 1,700 are disqualified for various lengths of time, once all administrative and judicial review procedures have been exhausted."

FNS compliance officers travel more than a million highway miles a year as they work out of area offices in New York City; Alexandria, Va.; Atlanta; Memphis; Chicago; Dallas; and Oakland, Calif. Undercover tactics and the use of local aides help them overcome the barriers of regional dialects and appearance.

On a typical case, an investigator enters a suspected store and attempts to purchase ineligible items, such as soap powder, cigarettes, beer, appliances, and more. It is not as easy as it sounds. As many as five attempts or "passes" are made at a single store over the course of several weeks. Usually the investigators attempt to purchase more seriously illegal items with each consecutive pass.

Often investigators attempt to discount stamps with store personnel.

This is the most serious area of violations pursued by compliance investigators, who are allowed to discount stamps only to a maximum of \$100. At that time, agents from USDA's Office of the Inspector General are called in and the case becomes a felony investigation. Still,

"I rarely mention food stamps unless the grocers do. I try to talk about extraneous things to avoid entrapment. I hold the stamps in my hand, or lay them down on the counter. Other people don't say anything about using stamps, so I don't either. I just try to act like anybody else who comes in and spends food stamps."

*FNS Compliance Officer
Bill Johnson*

many times FNS compliance officers continue to work the case in cooperation with OIG agents, since the necessary contacts have already been made by FNS investigators.

Andrew Hornsby, deputy administrator for regional operations at FNS, was the first chief of the Compliance Branch, and was heavily involved in its formation in 1977. "I think the biggest achievement has been the Branch's acceptance by the Office of the Inspector General and the legal community in which it operates—the U.S. Attorney's offices and the courts," he says.

"FNS compliance officers' investigations stand up in court against the scrutiny of very shrewd opposing attorneys. The result is that consistently about 50 percent of the stores they investigate are found to be in violation."

In the following article, a compliance officer from the Memphis office describes his techniques and shares some of his experiences. To protect his identity as an undercover investigator, we have used a pseudonym.



“You try to blend in with everyone else, if you can. The more you blend in, the less questions will be raised. If you’re completely different, people take notice of that.”

Bill Johnson blends in well. He is a chameleon, slipping into any number of roles. He is everyone, and yet no one. But after only a few words with Bill Johnson, you’ll swear you’ve known him a lifetime. It is an uncanny skill, and one that makes him extremely effective in his work.

Johnson works out of the Compliance Branch’s Memphis office, but he is rarely there. Instead, he travels constantly throughout eastern Tennessee, Kentucky, and Mississippi. With most of his time spent on the road, Johnson’s real office is the trunk of his car.

One of the first FNS investigators

Johnson worked in the Food Stamp Program for many years prior to becoming one of the new investigators entering training early in 1977. His knowledge of the program was a great help in his new career. Johnson says his undercover expertise was an acquired skill as well.

“Over the years I’ve observed people a lot, their mannerisms, the way they talk, how they dress. A lot of times when I’m in stores people say, ‘Where do you work? What do you do?’ I’ll say either, ‘I’ve been helping a guy tear down a transmission on a car,’ or ‘I’m on a crew paving a road 8 or 10 miles up.’ A lot of times I’ll know that from driving through the area.”

Along with dirty blue jeans and grimy shirts, Johnson’s disguise kit includes actor’s black makeup, which bears a striking resemblance to engine grease when smeared from fingertips to elbows, with appropriate dabs about the face. No matter where Johnson is, he performs on cue to make you believe he’s lived there all his life.

“I try to think of something that’s happening in the area,” he says. “A lot of times I’ll get a little daily

newspaper. Maybe something's happened that I can talk about."

In one area Johnson works, a neighborhood school was leveled by an arsonist a few years ago. "I had something to talk about then. 'That's awful, somebody burning down a school like that.'"

The 5 or 10 minutes an investigator spends in a store can be moments of intense pressure, requiring smooth precision in a myriad of everchanging conditions. The investigator must always have the correct response when questioned, must always be someone he or she is not.

Johnson often looks in the phone directory for common names in a particular vicinity, but using fictitious names can be tricky. Once, for example, when a grocer asked his name, Johnson offered "Jim Price" and was asked a string of questions about where he worked, who he was staying with, and who his relatives were.

Suspicious, the grocer looked at the ineligible items he had already begun to package and said, "I just can't sell this stuff here." When Johnson answered, "I don't want to cause a problem for anybody, especially me," the grocer changed his mind and went ahead and complete the sale.

Every move is measured

An investigator is actually quite limited in the things he or she can say to a cashier or owner. Great pains are taken to avoid entrapment, any physical or psychological coercion that forces storeowners or clerks to do something they wouldn't ordinarily do.

"Whenever I'm talking, I rarely mention food stamps," says Johnson, "unless the grocers do. I try to talk about extraneous things to avoid entrapment. I hold the stamps in my hand, or lay them down on the counter. Other people don't say anything about using stamps, so I don't either. I just try to act like anybody else who comes in and spends food stamps."

There is always the fear that one store under investigation might tip off another in the same area. Johnson spends a good deal of time looking over his shoulder.

"I watch things like bread trucks and soft drink salesmen," he says. "If I'm working two or three stores in the general vicinity, I might be in a store when a soft drink man is there. Well, if I don't watch it, I might find myself pulling up to the next store, and he's in that one, too."

"A salesman might tip off someone, because, let's face it, that's part of his sales." If a retailer loses his ability to redeem food stamps, he'll sell less of whatever the salesmen are vending.

Compliance investigators do not carry weapons of any type, relying instead on their ability to talk themselves out of any potentially dangerous situation.

"In southeast Tennessee, down below Chattanooga, a man had been disqualified before, for a year. I'd heard he was a pretty rough character. I was getting some cigarettes, and some beer, and laying it down on the counter, and a bread man came in. All of a sudden the owner just pushed my stuff aside and took care of the bread man."

"Well, I didn't think anything unusual about that, but after the bread man left he said, 'You've got to watch these people. You know, I got caught here once before. Some guy came by here, bought a bunch of stuff, and went and told on me.'"

Investigators readily accept the opportunity to discount stamps with a violating store. It can lead to the cracking of a major trafficking ring. Once Johnson was buying some ineligible items in a store and learned that violators can be extremely brazen.

"It was so strange. I just asked this man if he knew where I could get rid of some food stamps. He looked around and asked, 'Well, how many you got there?' He started counting them out and went over to the wall. There was a little chart there. He said, 'That brings this much this week,' as if there was some kind of futures on food stamps every week! I sold to him twice and OIG came in and caught him on a felony."

Each transaction is documented

After making a 5- or 10-minute pass in a store, an investigator must spend 45 minutes to an hour doing the necessary paperwork to properly document the transaction. Each item purchased is identified and described, ineligible or not. Prices are noted, the number of coupons spent carefully documented and deducted from the amount the investigator had when entering the store. All of these procedures are critical to proper accountability in court. Physical descriptions of the insides of the stores are prepared, as well as of the cashier present.

After several days of activity, an investigator can accumulate a truckload of groceries, which include beer and cigarettes in a majority of cases. All of the groceries are donated to various churches and charitable organizations, such as the Salvation Army. In cases where the organization will not accept alcoholic beverages, they are poured out with another investigator or field office representative acting as a witness.

Investigators are trained not to let their personal feelings interfere in the way an investigation is carried out, but Johnson recalls a case where it was an effort to control his anger.

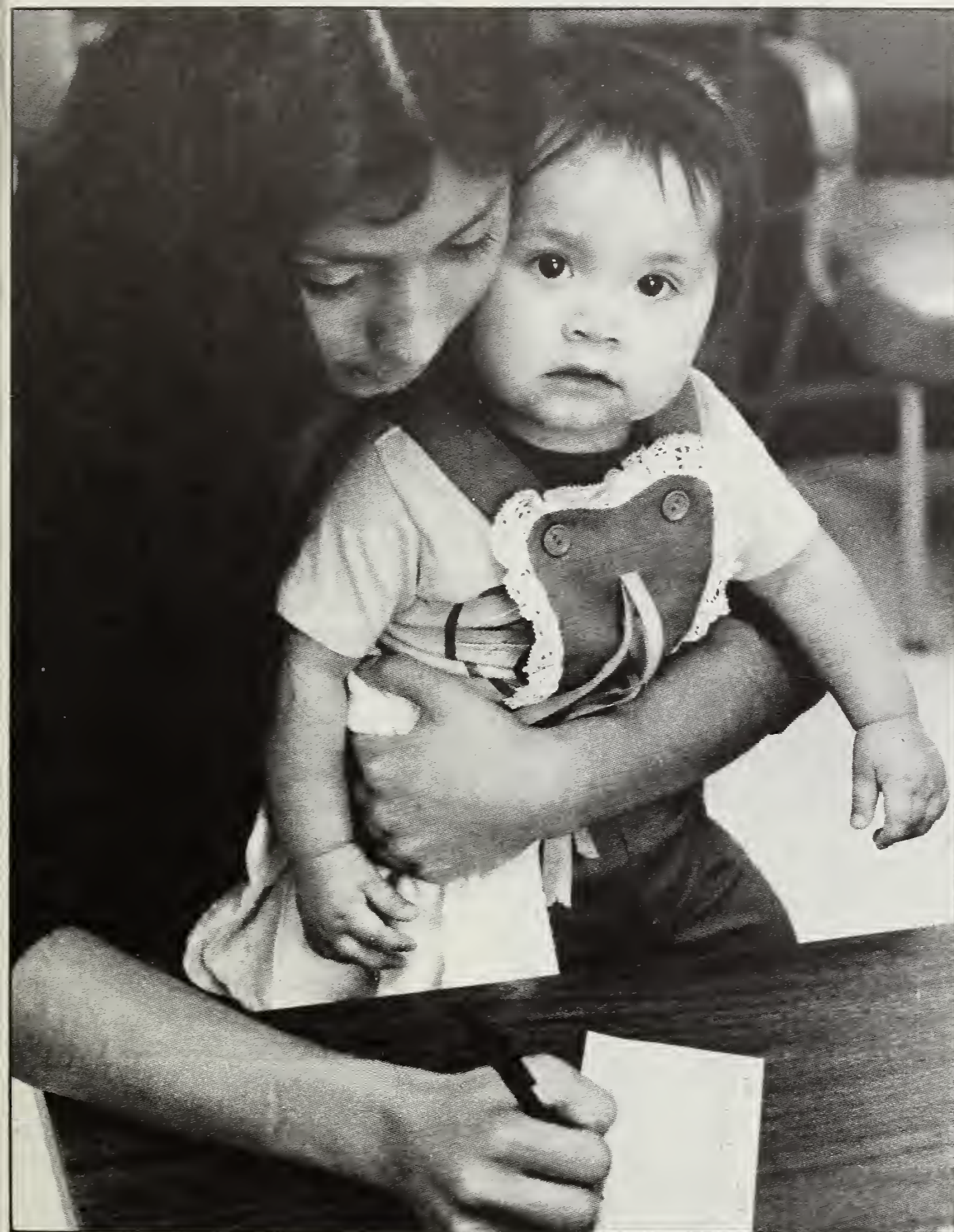
"I was making some positive buys from a grocer who kept taking extra stamps from me. He would ask, 'How many stamps do you have there?' And it always seemed to be that I had just enough stamps, no matter what the price of the goods was. If I had \$29.00, the price was \$28.30." Johnson says he was glad the retailer was disqualified from the program, and thus prevented from stealing from needy food stamp recipients.

Bill Johnson is a trained professional who takes pride in his work and does it well, despite the constant travel and loneliness and hardships that go with it.

"It's like being on the firing line, I guess. If we don't catch them, who will?"

*article and photos
by Jim Henry*

California Sets Up a New "Vendor Specific" System for WIC



In the Special Supplemental Food Program (WIC) as in the Food Stamp Program, the great majority of participants and grocers are eager to comply with federal rules. Still, efforts to prevent and prosecute abuse are an essential part of program management, and several states are making strides in this area.

The following article looks at one state's efforts to improve management by using a new computerized

system to monitor grocery store handling of WIC coupons. Combined with ongoing efforts to educate store personnel, the system allowed the state to save more than a million dollars in WIC funds during the first 2 years of operation. Because of the savings, the state has been able to extend WIC benefits to an additional 3,500 mothers and children in need of supplemental food aid.

California has one of the largest WIC programs in the country. Each year some 12 million federally funded, state-issued WIC vouchers are used by more than 142,000 WIC participants. Sales of WIC foods total more than \$56 million annually. Until recently, sheer volume alone made monitoring WIC sales an enormous task.

In January of 1980, state WIC managers began using a new system to monitor grocery store handling of WIC vouchers. The system, which is computerized, makes it easy to identify stores suspected of violating program rules, such as overcharging for WIC foods or accepting WIC vouchers for foods other than those allowed under the program.

Here's how it works:

The "vendor specific system," as its name implies, requires a WIC participant to select a specific vendor (grocer) from a list of grocers under contract with the state. Once selected, the vendor's name and WIC authorization number are imprinted on the participant's WIC vouchers, and the participant buys WIC foods only at that store.

"What this does for us," says Jack Metz, state WIC program director "is insure that only those grocers authorized by the state handle WIC vouchers." Under the old system, any of the state's retailers could accept the vouchers. All they had to do was sign a statement on the back of each voucher that said that the WIC transaction was conducted according to the rules.

Now, there is a signed agreement between the state and each authorized grocer. The agreement states that the grocer understands the intent of the program and how to properly handle the vouchers and that he or she is willing to accept state scrutiny of the store's handling of the WIC vouchers and endure penalties for violations.

Because the grocer's authorization number is printed on each voucher, a computer can trace a particular voucher to the store where it was

Left: At a local WIC clinic, a mother chooses the store where she will use her WIC vouchers. The vendor's name and WIC authorization number will be printed on each of her vouchers.

used, and it can show how much a grocer charged for each WIC food.

Every month WIC participants get a specific number of vouchers, depending on their nutritional needs. There are separate vouchers for such foods as fortified cereal, frozen or concentrated juices, cheese, eggs, and milk and infant formula. The egg voucher, for example, allows the user to purchase 2½ dozen eggs, the value of which cannot exceed \$3.50. Because prices vary between grocery stores, the grocer enters on the voucher the amount he charges for the particular food, and he is reimbursed for that amount when he redeems the WIC coupon.

If a store is suspected of overcharging for WIC foods, an investigator can compare what a regular customer pays for the items WIC participants buy. It is illegal, for example, for a store to charge \$3.49 for eggs sold to WIC participants when other customers pay only \$3.00.

Since the vendor specific program began, vouchers submitted to the state for payment at maximum value have dropped from over 42.5 percent of all vouchers to around 6.8 percent. The resulting savings have

allowed the state to serve 3,500 more low-income women, infants, and children per month with no increase in budget.

Provides other information, too

In addition to information on what grocers are charging for WIC foods, the computer can provide other information about a store's WIC business, such as frequency and volume of voucher redemptions. A small Sacramento grocery store came to the state's attention a year ago when the computer indicated the store was redeeming more WIC food vouchers than most of the large supermarkets in the city.

Suspicious of this booming business, the state investigated and found the store was accepting WIC vouchers for foods not provided through the program. The state withdrew the store's authority to accept WIC vouchers. To date, 410 stores suspected of violating WIC rules have been identified. Of these, 130 have been suspended from the program, 200 given warnings, and 60 cleared of wrongdoing. Twenty are still under investigation.

While the system is geared to "get the bad guys out," Metz emphasizes that's not all there is to it. The overwhelming majority of the state's retailers cooperate fully and follow the rules, and Metz is equally proud of the state's efforts to develop a positive helpful image with these grocers.

Metz and his staff regularly visit grocers to discuss problems grocers may be having with WIC vouchers and to train clerks and other store employees. The state is developing printed and audiovisual materials to help with this training.

In addition, in response to a feeling among some grocers that WIC participants' attempts to violate the program were being ignored, Metz included in the vendor specific system a way for grocers to report WIC participants who attempt to violate the rules.

Metz and his staff provide grocers with addressed, stamped postcards. If a participant causes problems by deliberately attempting to violate the rules, a grocer can get the participant's name and identification number from the voucher and report her by sending a postcard to the state office.

The next time the participant goes to the health clinic, she is confronted and warned. Since the reports go to a central point in the state, even if the participant attempts to violate rules at a different store, and is again reported, the state will have a record. "Two attempts," Metz said, "and we suspend them from the program."

First tested in one county

The vendor specific system was tested for a year in Ventura County. "We needed to have a success record before we could implement it statewide," Metz said.

"What we were testing for," he explained, "was whether vendors would participate in a program in which WIC mothers had to select in advance where they would shop."

They also wanted to see how the change would affect WIC participation and whether they could keep unauthorized grocers out, penalize grocers violating the rules, increase



Left: A participating grocer fills in a WIC voucher, indicating the amount he is charging for a particular WIC food.

grocer understanding of the program, and minimize the number of vouchers submitted at maximum value.

Vendors and WIC participants were surveyed both before and after the test. Before the test, approximately 70 percent of the grocers said they would participate, and afterwards only one failed to contract with the state. Sixty-seven percent of WIC participants could foresee no problems with the system.

Among those who opposed it, shopping convenience was the primary objection. After the test, of the 21,200 Ventura County participants who received vouchers over a 3-month period, only 35 requested replacement vouchers for convenience reasons.

The pilot test also showed that with the vendor specific system, the average value of WIC foods purchased in Ventura County was lower than the price of these same foods statewide. For example, milk vouchers from Ventura averaged \$1.68, compared to a statewide average of \$1.76. Cheese vouchers in Ventura averaged \$5.63, compared to \$6.17 statewide. Based on these results, chief state WIC program investigator Loren Bell expected the major violation in the state would be overcharging for WIC foods.

Management information from the state's computers not only proved Bell right but turned up grocers buying vouchers at less than the value of the food, selling non-WIC foods, and telling participants to buy more food (up to the maximum voucher value) than they were entitled to.

According to Bell, the vendor specific system has made a big difference. In fact, he says, just having extra contact with retailers has had a significant impact.

"When we sent out letters explaining the system and inviting retailers to contract with us, vouchers redeemed at maximum value decreased from 42.5 percent of all vouchers to 22 percent. When the new system went into effect, it dropped to 13 percent. After our first round of investigations, it went to 8.9 percent. With the second round, it dropped to 6.8 percent."

In the Ventura project, vouchers cashed at maximum value varied between 1 and 5 percent. Metz believes this is a tolerable range. "Some stores are just plain expensive," he said.



State officials are optimistic

Both Metz and Bell are optimistic about the new system. "Retailers do not want to lose their WIC business," Metz said, adding that the average store in an area with a relatively large WIC population probably grosses about \$3,000 to \$4,000 a month from WIC sales.

Bell recalls one store in Orange County that, faced with disqualification from WIC, agreed to repay the state \$10,000. Other stores, he says have actually gone out of business after being disqualified. While the state does not have a system of fines, in some cases they will allow repayment of money obtained because of violations.

"We use two criteria," Bell says. "First, if the store serves a special clientele that cannot properly be served in the immediate area without the store, we will allow a repayment. Second, if a store's WIC business has been low in volume, we will allow a repayment of overcharges rather than a severe suspension, which may not be commensurate with the violation."

Above: Jack Metz (*left*) and a state department of health computer specialist look over the computer hardware which scans each vendor's redemptions and compares them to the "norm".

Metz sees the vendor specific system as more than just a data-gathering system designed to catch some bad guys and make the program fiscally accountable. He feels the system is beneficial to both participants and grocers: "We're building integrity into a program that's doing enormous good for an important segment of our population."

For more information, write:
Jack Metz
State WIC Coordinator
WIC Supplemental Food Section
714 P Street
Sacramento, California 95814

*article by Dick Montoya
photos by Tino Serrano*

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